

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SAJ-01 PM-04 NSC-05 SP-02 SS-15 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 EB-07

COME-00 /059 W

----- 024182

R 280047Z APR 76

FM USLO PEKING

TO SECSTATE WASHDC 5543

INFO AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMCONSUL HONG KONG

CINCPAC FOR POLAD

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E.O.11652: N/A

TAGS: ETRD, CH

SUBJECT: SPRING 1976 CANTON TRADE FAIR -- A TEN-DAY REPORT

1. SUMMARY. A GENERAL SHORTAGE OF MERCHANDISE, HIGH PRICES, OVERCROWDED HOTELS, AND COMPLAINTS FROM INCREASINGLY DISGRUNTLED TRADERS HAVE CHARACTERIZED THE FIRST TEN DAYS OF CHINA'S 39TH EXPORT COMMODITIES FAIR IN CANTON. AS A RESULT OF AN INCREASE IN BUSINESS DONE BETWEEN FAIRS, AT VARIOUS MINI-FAIRS AND BY PRC SELLING MISSIONS ABROAD, CHINESE TRADING CORPORATIONS APPEAR OVERSOLD AND UNPREPARED FOR THE UNUSUALLY LARGE INFLUX OF TRADERS (500 MORE THAN FOR THE OPENING OF THE 1975 FALL FAIR) WHICH HAVE COME TO CANTON THIS SPRING. AMERICAN ATTENDEES HAVE SO FAR NUMBERED ABOUT 200 AND ARE MOSTLY REPRESENTATIVES OF SMALL IMPORT FIRMS INTERESTED IN PURCHASING ARTS AND CRAFTS. DESPITE A LAT

NUMBER OF NEW SLOGANS FROM THE CURRENT ANTI-RIGHTIST CAMPAIGN WHICH DECORATE THE FAIR BUILDING
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AND THE HOTEL, THE FAIR SEEMS LITTLE INFLUENCED BY

RECENT POLITICAL EVENTS IN THE PRC. THERE HAVE BEEN A FEW INDICATIONS THAT CURRENT MEDIA ATTACKS ON FOREIGN TRADE MAY BE INFLUENCING CHINESE NEGOTIATORS, BUT MOST OBSERVERS BELIEVE THE FAIR'S POOR PERFORMANCE IS THE RESULT OF ECONOMIC FACTORS. END SUMMARY

2. TEN DAYS AFTER ITS OPENING, CHINA'S 39TH EXPORT COMMODITIES FAIR WAS BEING CALLED THE "SHORTAGES FAIR" BY INCREASINGLY DISPIRITED TRADERS IN CANTON. A GENERAL LACK OF MERCHANDISE, HIGH PRICES AND OVER-CROWDED HOTELS CAUSED MANY BUSINESSMEN TO LEAVE EARLY, AND LOWERED THE ENTHUSIASM OF THOSE WHO REMAINED. EVEN THE WEATHER PROVED UNCOOPERATIVE AS CANTON WAS BUFFETED BY GALE FORCE WINDS DURING THE FIRST FULL WEEK OF THE FAIR.

3. ATTENDANCE. ACCORDING TO FAIR OFFICIALS, THE OPENING DAY CROWD NUMBERED 500 MORE THAN THAT FOR THE 1975 FALL FAIR. HOTEL ROOMS WERE AT A PREMIUM AND TRADERS WERE FORCED TO DOUBLE UP, OR STAY AT SECOND-RATE HOTELS FOR THE FIRST TIME SINCE THE NEW WING OF THE TUNG FANG WAS OPENED IN 1973. AT THE TEN-DAY MARK, AN ESTIMATED 200 AMERICANS REPRESENTING 100 FIRMS HAD VISITED THE FAIR AND THE CHINESE WERE SAYING THE NUMBER OF INVITATIONS ISSUED TO THE U.EBM EXCEEDED THOSE OF ANY PREVIOUS FAIR. JAPANESE ATTENDANCE WAS ALSO EXPECTED TO INCREASE TO 3,033 (COMPARED WITH 2,600 LAST FALL), AND LARGE DELEGATIONS WERE ON HAND FROM MALAYSIA, THAILAND, AND MIDDLE EASTERN COUNTRIES.

4. FOR AMERICANS, ATTENDANCE WAS CHARACTERIZED BY THE PRESENCE OF A LARGE NUMBER OF NEWCOMERS, MOSTLY SMALL IMPORT FIRMS, AND THE ABSENCE OF MAJOR U.S. CORPORATIONS. AMERICAN CHEMICAL FIRMS (WHICH NUMBERED MORE THAN 30 LAST FALL) AND MINERALS AND METALS DEALERS WERE NOTICEABLE BY THEIR ABSENCE, AS WERE U.S. EXPORTERS. AMONG THE FEW LARGE U.S. COMPANIES WHICH DID ATTEND WERE CESSNA AIRCRAFT, DOW, ESSOCHEM, GOODYEAR, PFIZER, TEXTRON, KAISER, AND TENNANT.

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5. BUSINESS. WHILE A SHORT PRC SUPPLY SITUATION HAS BEEN A GENERAL CHARACTERISTIC OF PREVIOUS SPRING FAIRS, THIS ONE APPEARS UNIQUE FOR THE UNUSUALLY SMALL AMOUNT OF GOODS OFFERED BY ALL CORPORATIONS. CEROILFOODS, TEXTILES, AND NATIVE PRODUCE APPEARED MOST SERIOUSLY AFFECTED, BUT EMPTY DISCUSSION ROOMS IN THE MINMETALS AREA AND THE LACK OF ACTIVITY IN CHEMICALS ALSO LEFT THE IMPRESSION THE CHINESE HAD LITTLE TO OFFER AT

ACCEPTABLE PRICES. IN A CONVERSATION WITH A EUROPEAN DIPLOMAT, THE FAIR'S SECRETARY GENERAL VOLUNTEERED THAT THIS EVENT WOULD BE CHARACTERIZED BY LACK OF AVAILABILITIES WHICH HE CLAIMED RESULTED FROM THE INABILITY OF CHINA'S PLANNED ECONOMY TO ANTICIPATE THE REVIVAL IN WORLD DEMAND. IN THE OPINION OF MOST OBSERVERS, HOWEVER, THE LACK OF SUPPLY RESULTED FROM OVER-SELLING BY THE PRC BETWEEN FAIRS, AT VARIOUS MINI-FAIRS, AND SELLING BY PRC EXPORT MISSIONS TO OTHER COUNTRIES. MOST AFFECTED BY SHORTAGES WAS A LARGE GROUP OF AMERICAN NEWCOMERS, BUT EVEN VETERAN EUROPEAN AND JAPANESE TRADERS COMPLAINED THAT THE CHINESE HAD FAILED TO RESERVE GOODS FOR THEM AS THEY HAVE AT PREVIOUS FAIRS. ACCORDING TO THE DIRECTOR OF TRADE PROMOTION OF THE SINO-BRITISH TRADE COUNCIL, THE CHINESE ANTICIPATED THEIR INABILITY TO SUPPLY AND TOOK THE UNUSUAL STEP OF SUGGESTING THAT UK TRADERS PASS UP THIS FAIR AND VISIT CHINA IN THE FALL.

6. PRICES. FOLLOWING THE CURRENT UPWARD TREND IN WORLD MARKET PRICES FOR MOST COMMODITIES, THE CHINESE HAVE RAISED PRICES FROM FIVE TO 40 PERCENT ABOVE THOSE CHARGED AT THE 1975 FALL FAIR AND APPEAR INTENT ON EARNING THE MAXIMUM FROM THE LIMITED AMOUNT AVAILABLE FOR SALE THIS SPRING. AS EXAMPLES, TEXTILE PRICES ARE UP 20 PERCENT OVER JANUARY, FROZEN SHRIMP UP 36 PERCENT OVER LAST FALL, AND FURS UP 30 PERCENT SINCE THE HONGKONG MINI-FAIR IN PEKING.

7. CUSTOMER REQUIREMENTS. REVEALING THEIR GOALS OF PREVIOUS FAIRS TOWARD EVIDENTLY LATER WILLINGNESS TO MEET IMPORTERS' REQUIREMENTS, FOREIGN TRADE CORPORATION LIMITED OFFICIAL USE

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NEGOTIATORS TOOK A GENERALLY TOUGHER LINE THIS SPRING ON REQUESTS FROM AMERICAN CUSTOMERS FOR PRIVATE BRANDS, LABELING AND TIMELY DELIVERIES. CHINATEX OFFICIALS TOLD IMPORTERS THAT IT WOULD NO LONGER AGREE TO DOUBLE LABELS (ONE CHINESE, ONE AMERICAN) IN GARMENTS AND WOULD SELL ONLY UNDER PRC BRAND NAMES. ON LARGE ORDERS, HOWEVER, THE CORPORATION AGREED TO INCLUDE THE NAME OF THE U.S. BUYER BUT ONLY IN LETTER SMALLER THAN THOSE USED FOR THE CHINESE BRAND NAME AND THE WORDS "MADE IN CHINA." THE CHINESE ALSO REAFFIRMED THEIR POLICY OF PREFERRING TO SIGN CONTRACTS IN RMB AND SAID THE USE OF DOLLAR CONTRACTS WOULD HAVE TO BE NEGOTIATED. COMPLAINTS ABOUT LATE DELIVERIES AND NON-FULFILLMENT OF CONTRACTS WERE GENERALLY BRUSHED ASIDE BY CORPORATION OFFICIALS, BUT THE CHINESE DID ADMIT SHIPPING DIFF-

FICULTIES TO A FEW OLD CUSTOMERS AND EVEN ASKED IF SOME EUROPEANS WOULD BE WILLING TO ARRANGE THEIR OWN SHIPMENTS FROM CHINA. MME. HAN FANG-YU TOLD USLO IN PEKING THAT CHINATEX WAS SOLD UP TO CAPACITY IN GRIEGE GOODS AND A NUMBER OF OTHER TEXTILE CATEGORIES AND SIMPLY COULD NOT MEET CURRENT HIGH DEMAND. INSTEAD, CHINATEX HAS BEEN PRESSING U.S. AND EUROPEAN CUSTOMERS TO TAKE LESS ACTIVE LINES.

8. POLITICS. DESPITE THE APPEARANCE OF A NUMBER OF NEW ANTI-RIGHTIST CAMPAIGN SLOGANS WHICH DECORATED THE FAIR BUILDING AND THE HOTEL COMPOUND, THE CONDUCT OF THE FAIR HAS SHOWN LITTLE INFLUENCE OF RECENT POLITICAL EVENTS IN CHINA. IN THEIR DISCUSSIONS WITH BUSINESSMEN, FOREIGN TRADE CORPORATION OFFICIALS APPEARED RELAXED AND CONVERSATIONS WERE GENERALLY DEVOID OF POLITICAL CONTENT. IN ADDITION TO THE TOUGHER LINE ON FOREIGN LABELS, HOWEVER, THERE WERE OTHER SIGNS THAT RECENT MEDIA ATTACKS ON FOREIGN TRADE MAY BE INFLUENCING CHINESE TRADE OFFICIALS. IN HIS SPEECH AT THE OPENING RECEPTION, FAIR CHAIRMAN LIN LI-MING MADE ONLY THE MOST PRO-FORMA REFERENCE TO THE FAIR'S ROLE IN PROMOTING FOREIGN TRADE AND, IN A BREAK WITH TRADITION, THE FOREIGN TRADE VICE MINISTER PRESENT DID NOT SPEAK. A YUGOSLAV BUSINESSMAN WAS TOLD BY A CHEMICAL CORPORATION OFFICIAL THAT CHINA WAS "NOT LIMITED OFFICIAL USE

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INTERESTED IN EXPORTING TOO MANY CHEMICALS" AND SEVERAL OLD-TIMERS THOUGHT THE CHINESE WERE DELIBERATELY HOLDING BACK GOODS BECAUSE OF POLITICAL RESTRAINTS. HOWEVER, THERE WAS NO CONCLUSIVE EVIDENCE THAT THE FAIR'S POOR PERFORMANCE WAS THE RESULT OF OTHER THAN STRICTLY ECONOMIC FACTORS. REPORTS THAT THIS WOULD BE THE LAST SPRING FAIR WERE HEARD FROM SEVERAL QUARTERS, AND MOST TRADERS AGREED THAT CHINA SHOULD HOLD ONLY ONE CANTON FAIR, IN THE FALL, WHEN SUPPLIES HAVE TRADITIONALLY BEEN MORE ABUNDENT. THAYER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE FAIRS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PEKING00756
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760161-0454
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760414/aaaaalea.tel
Line Count: 212
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2004 by ElyME>; APPROVED <21 SEP 2004 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SPRING 1976 CANTON TRADE FAIR -- A TEN-DAY REPORT
TAGS: ETRD, CH
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006